

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 904 - Loan Agency Tax Repeal (LSB 2591 HV)
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Fiscal Note Version - New
Requested by Representative Tom Sands

Description

House File 904 repeals Chapter 430A, Code of Iowa. That Chapter imposes a tax on loan agencies. An Iowa court case ruled the application of the tax was unconstitutional, as it violated the Commerce Clause of the United States Constitution.

The Bill also amends Iowa's W-4 form (Employee Withholding Allowance Certificate). The change will allow taxpayers to take into consideration additional tax preference items when calculating the appropriate number of exemptions to claim on the withholding certificate filed with their employer. The change does not impact tax liability.

Fiscal Impact

Due to the court's ruling, the loan agency tax has not been collected for three years. Repealing the Chapter will have no fiscal impact. Prior to the suspension of the tax, the revenue was split between the county, city and State General Fund. The State General Fund portion was 50.0% of the amount collected.

Adjusting the way taxpayers calculate their withholding exemptions could change modestly the flow of income tax revenue to the General Fund. The amount withheld from paychecks may be reduced, and that would produce a decrease in refunds and an increase in payments with returns. The change should take place slowly, so the revenue shift between fiscal years will be slight. Ultimately, there is no change in tax liability.

Source

Department of Revenue

Dennis C Prouty

April 19, 2007

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
